

10. Funding

The Levee Program funding model must be consistent with the CALFED benefits-based approach to funding. The benefits of improved Delta levee system integrity include greater protection to Delta agricultural resources, municipalities, infrastructure, wildlife habitat, and water quality as well as navigation and flood control benefits. A funding model that includes federal, state, and local contributions allows costs to be shared by all beneficiaries.

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The proposed funding provisions outlined herein are those recommended to CALFED by the CALFED Levees and Channels Technical Team. CALFED staff will use this recommendation to prepare a benefits-based funding recommendation for approval by the CALFED Policy Group.

The Long-Term Levee Protection Plan will be implemented over a 20- to 30-year period, at an estimated cost of \$1.5 billion (1998 \$). This cost is based on the detailed cost estimate for the Base Level Protection Element provided in Appendix B, "Cost Estimate Backup and Report," and cost estimates for all program elements discussed in the "Cost Estimate" section. Based on the current estimate, the funding in 1998 dollars will be approximately distributed as follows:

Base Level Protection	\$1,000 million
Special Improvements Projects	360 million
Subsidence Control	70 million
Emergency Management and Response	68 million
Seismic Risk Assessment	<u>\$ 5 million</u>
	\$1,503 million

This funding does not include any funds required to implement the CMARP Program. The following problems related to funding the existing levee program will be addressed by the Levee Program:

- Funding for levee work is insufficient and inconsistent. Reimbursement to local agencies often is delayed, made at an insufficient rate, or not made at all—leaving bank loans, engineers, and contractors unpaid.
- Many local agencies cannot afford their share of costs under the current cost-sharing arrangements for levee work, much less the additional financial burden of proposed levee upgrades.

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Reliable near- and long-term funding is paramount to the success of the Levee Program. Lack of adequate funding for levee maintenance and construction will impede the success of the Base Level Protection Plan and other elements of the Levee Program. For example, the success of the emergency response component of the program partially depends on the existence of an industry in the Delta to provide needed equipment for emergency response. It is assumed that continued funding for the Levee Program will recreate such an industry in the Delta so that these resources will be readily available when needed.

The Levee Program will obtain long-term federal and state funding authority, and develop appropriate cost-sharing scenarios between state, federal, and other interests. In developing funding models, the Levee Program will build on the strengths of, and seek continuity with, existing funding programs such as the Subventions Program and Special Projects Program. In addition, the Levee Program will seek to resolve problems in current funding strategies and identify mechanisms that best secure long-term funding.

Under the existing state levee programs, local agencies have financed projects in anticipation of reimbursements. The Subventions Program annually administers available funds, distributing funds on an equal basis to all participants in accordance with funding priorities approved by the Board. Each fiscal year, local agencies are notified of the available funding but cannot be sure what their final reimbursement will be until all claims are received and processed.

The uncertainty and time lag from work performance to reimbursement poses financial difficulties for many local agencies, as most districts lack the financial resources to provide funds up-front for an extended period. In some cases, the agencies incur high debt service charges or must delay payments to contractors. Consequently, contractors' reluctance to perform levee work drives up costs.

The Special Projects Program receives applications and enters into agreements with participants to fund specific projects. Projects eligible for funding must be in accordance with priorities approved by the California Water Commission. Once projects are deemed eligible, agreements are executed and local agencies can receive timely payments as work progresses. The lack of adequate and consistent appropriations in the Subventions and Special Projects Programs poses a challenge for local agencies to complete planned maintenance and rehabilitation projects.

Additionally, many districts have experienced difficulty in rebounding from the long-term financial debt that was incurred while they waited for resolution of the 1980-1986 state and federal disaster assistance claims. The more recent 1995, 1997, and 1998 floods also have strained local financial resources. The overall financial health of these local agencies has significantly affected their ability to maintain their levee systems and limited their ability to upgrade their levees to a long-term levee standard.

Any of these funding issues can deter performance of adequate levee work. Therefore, the Levee Program will seek a means to provide up-front state and federal contributions for levee work. Adequate funding will enable districts to plan and finance their work with greater certainty of reimbursement. The Levee Program will work in conjunction with other programs to negotiate mutually beneficial funding arrangements. For instance, California Water Code Section 12995 indicates a federal interest in Delta levee rehabilitation due to benefits to navigation, commerce, and the environment and increased flood control.

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The following principles also will guide development of Levee Program funding:

- Local agencies will provide LERRDS. Use of local sources is cost effective and allows maintenance work to proceed more smoothly. Local agencies will continue to ensure that costs are distributed equitably among their members.
- The Ecosystem Restoration Program will provide funds for net habitat enhancement requirements under current statutes, and the Levee Program will fund all mitigation necessary for levee construction.
- Funds for any necessary mitigation for levee construction work are included in the overall cost for the Levee Program. Federal, state, and local cost-sharing percentages include mitigation costs.
- The Levee Program will pursue long-term authority for state and federal funding for these cost-sharing scenarios. This will involve amending the sections of the California Water Code that pertain to Delta levee maintenance and construction funding. The Levee Program also will seek a mechanism to provide up-front funding to the local agencies.

10.1 DELTA LEVEE BASE LEVEL PROTECTION PLAN FUNDING

10.1.1 CURRENT FUNDING PROVISIONS

As discussed earlier, current programs that fund levee maintenance and construction often are insufficient or inconsistent. Many Delta interests cannot afford their share of costs under the current programs, much less the additional financial burden of proposed levee upgrades. Problems with current funding provisions are discussed under "Delta Levee System Integrity-Problem Statements."

Levee work is currently funded up front by the local agencies and reimbursed up to 75% by the State through DWR under the Subventions Program. California Water Code Section 12300 authorizes \$6 million a year to be appropriated to the Delta Flood Protection Fund from the California Water Fund for the Subventions Program until July 1, 2006. Historically, less has been appropriated yearly. No funds are currently appropriated for the program past June 30, 1999.

Many Delta interests cannot afford their share of costs under the current programs, much less the additional financial burden of proposed levee upgrades.

10.1.2 PROPOSED FUNDING PROVISIONS

The Base Level Protection element will incorporate the levees currently covered under the existing Subventions Program. Proposed cost sharing for the Base Level Component will be 65% federal/ 25% state/ and 10% local for construction to PL 84-99. Local agencies can contribute LERRDs toward their 10% share. Planning costs will be cost shared at 50% federal/ 25% state/ 25% local. Funding for maintenance will be provided 100% by the local agencies up to \$1,000 per mile of levee improvement. Costs above \$1,000 per mile of

levee improvement will be cost-shared 65% federal/ 25% state/ and 10% local, and will be considered reconstruction. Summaries of cost sharing and approximate state, federal, and local dollar contributions for the Base Level Protection element are included in Tables 12 and 13.

Table 12. Proposed Levee Program 7-Year Cost Sharing

Year(s)	Base Level Protection Plan Funding/Year ^a			Sub- total	Special Projects Funding/Year ^c			Sub- total	Emergency Response ^d			Sub- total	Total Funding
	Fed	State	User ^b		Fed	State	User ^b		Fed	State	User ^b		
1	5	3	2	10	7	5	0	12	5	5	1	11	33
2	6	3	2	11	7	5	0	12	1	1	1	3	26
3	7	4	2	13	7	5	0	12	1	1	1	3	28
4	9	5	3	17	7	5	0	12	1	1	1	3	32
5	11	5	4	20	7	5	0	12	1	1	1	3	35
6	22	11	7	40	7	5	0	12	1	1	1	3	55
7	22	11	7	40	7	5	0	12	1	1	1	3	55
Totals	82	42	27	151	49	35	0	84	11	11	7	29	264

Notes:

Funding in millions (1998 \$). Totals are rounded to the nearest million.

^a Includes subsidence control funding.

^b User to provide lands, easements, rights-of-way, relocations, and disposal areas.

^c Includes Levee Risk Assessment.

^d Includes \$10 million first-year start-up costs.

10.2 DELTA LEVEE SPECIAL IMPROVEMENT PROJECT FUNDING

10.2.1 CURRENT FUNDING PROVISIONS

Problems with current funding provisions are similar to those described for the Base Level Protection element.

Cost-sharing percentages under the existing Special Projects Program vary from 75 to 100% state funds, depending on "ability-to-pay" analysis completed for each participating local agency. Although no federal cost-sharing agreements exist for the Special Projects Program, the California Water Code encourages DWR to seek cost sharing with, or financial assistance from, federal agencies with programs applicable to or an interest in flood protection projects. California Water Code Section 12300 authorizes \$6 million a year to be appropriated to the Delta Flood Protection Fund from the California Water Fund for the Special Projects Program until July 1, 2006. Historically, less has been appropriated yearly. As with the Base Level Protection element, no funds are currently appropriated for the program past June 30, 1999.

Table 13. Levee System Integrity Program Proposed Cost Sharing

Program Action	Federal	State	User ^a
Base Level Protection and Subsidence Control			
Planning ^b	50%	25%	25
Construction ^c	65%	25%	10%
Maintenance ^d	0%	0%	All costs (up to \$1,000/mile)
Special Improvement Projects			
Planning ^b	50%	50%	To be determined
Construction ^c	65%	35%	To be determined
Maintenance ^d	0%	100%	To be determined
Emergency Management and Response.			
First response	0%	0%	100% (exhaust resources)
Secondary response	50%	50%	LERRDs
Notes:			
LERRD = Lands, easements, right-of-way, relocations, and disposal areas.			
^a Subject to an "ability to pay analysis."			
^b Planning includes feasibility studies, environmental documentation, and obtaining permits.			
^c Construction is defined as eligible levee work above \$1,000/mile.			
^d Maintenance includes routine preventative actions up to \$1,000/mile.			

10.2.2 PROPOSED FUNDING PROVISIONS

The Special Improvements Project element will adopt the goals of the existing Special Projects Program. Funding for this element of the Levee Program will be cost shared at 65% federal/ 35% state. The State will seek a local cost-sharing partner. If a local cost-sharing partner is found, the cost-sharing will be the same as that for the Base Level Protection Element. Summaries of cost sharing and approximate state, federal, and local dollar contributions for the Special Projects Program are shown in Tables 12 and 13.

10.3 DELTA LEVEE SUBSIDENCE CONTROL PLAN FUNDING

10.3.1 CURRENT FUNDING PROVISIONS

No existing formal separate program provides funding for subsidence; however, subsidence research currently is funded under the existing Special Projects Program.

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10.3.2 PROPOSED FUNDING PROVISIONS

Funding for the Subsidence Control element of the Levee Program will be cost shared at 65% federal/ 25% state/ and 10% local. Local agencies will contribute necessary LERRDS in addition to the 10% share. Summaries of cost sharing and approximate state, federal, and local dollar contributions for the Subsidence Control Program are shown in Tables 12 and 13.

10.4 DELTA LEVEE EMERGENCY MANAGEMENT AND RESPONSE PLAN FUNDING

10.4.1 CURRENT FUNDING PROVISIONS

No existing formal program provides funding for initial emergency response, which is provided by local resources. The State provides assistance and funding when local resources are exhausted. If the governor declares an emergency and requests emergency assistance, federally funded emergency assistance is provided.

No existing formal program provides funding for initial emergency response, which is provided by local resources.

10.4.2 PROPOSED FUNDING PROVISIONS

Funds for the Emergency Management and Response element will be provided 100% by local interests for initial response. After local resources have been exhausted, secondary response funds will be cost shared at 50% federal/50% state. After the established State funds are exhausted, funding will be 100% federal. First-year start-up costs to establish a \$10 million Emergency Response Fund will be cost shared at 50% federal/50% state. After the Emergency Response Fund is exhausted, the Federal Government will provide funds through the Corps. Local agencies will contribute any necessary LERRDS. Summaries of cost-sharing and approximate state, federal, and user dollar contributions for the Emergency response element are shown in Tables 12 and 13. The user contribution assumes that the annual initial response is \$1 million.

10.5 DELTA LEVEE RISK ASSESSMENT FUNDING

10.5.1 CURRENT FUNDING PROVISIONS

DWR currently funds a Seismic Stability Evaluation for Delta levees.

10.5.2 PROPOSED FUNDING PROVISIONS

CALFED has expanded the scope of this element to include all major risks, not only seismic risks. CALFED will use existing planning funds to develop this Risk Assessment and Risk Management Strategy, which is considered a necessary part of CALFED's overall program development.

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